

TRADE RELATIONS

Exchange of aide memoire at Washington November 14 and 15, 1947
Entered into force November 15, 1947
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November 30, 1947, p. 1054

The Canadian Embassy to the Department of State

AIDE MEMOIRE

The Government of Canada refer to the discussions which have taken place recently between its representatives and those of the Government of the United States of America regarding the problems confronting Canada because of the rapid and marked decline during 1947 of its gold and United States dollar reserves.

It was noted in the course of the discussions that this condition was due 1) to an unprecedented increase in Canadian imports from the United States unmatched by an equivalent increase in Canadian exports to the United States, 2) to the disruption in consequence of the war of normal trade and currency relationships, which ordinarily would have allowed Canada to discharge its deficit with the United States with the receipts from Canadian exports to other countries and 3) to the necessity which Canada, in common concern with the United States, has felt for extending very substantial financial assistance to various European Nations in their urgent problems of postwar reconstruction.

The deterioration of Canada's gold and United States dollar reserves has proceeded at such a rate and to such an extent that the Government of Canada are compelled to take immediate remedial measures. Failure to take effective action now could only mean, in the circumstances, that in the near future measures more drastic than contemplated at present would be necessary.

The Government of Canada find it necessary as one part of a general programme to curtail imports immediately in order to conserve their limited supplies of gold and United States dollars. It is a matter of special concern that such an action is necessary at this time when Canada is working with the United States and other Nations of the world to provide a sound basis for the expansion of world trade on a multilateral basis.

The Government of Canada wish to emphasize that it is their intention to administer their controls in a manner consistent with the General Agreement on Tariffs and Trade recently concluded at Geneva which will govern trade relations between the signatory countries in the near future.

The Government of Canada propose to remove the controls which they now find necessary to impose at the earliest possible moment that circumstances permit. They will moreover allow imports of any items which are now in transit to Canada. At any time during the period when control of imports is necessary the Government of Canada will give sympathetic consideration to representations in regard to any matter connected therewith which because of unusual circumstances involving particular hardships to the principals concerned would seem to merit special attention.

In order to effect the necessary savings of gold and United States dollars, it is necessary to limit, among other imports from the United States, some items specified in Schedule I of the 1938 Trade Agreement between the United States and Canada.¹ The Government of Canada express the hope that the Government of the United States will not in the circumstances, consider it necessary to invoke the pertinent provisions of the Trade Agreement of 1938 during the brief interval before the provisional coming into force, on January 1st next, of the General Agreement on Tariffs and Trade which will replace the provisions of the earlier agreement.

H.W.

THE CANADIAN EMBASSY,
Washington, D.C.,
November 14th, 1947.

The Department of State to the Canadian Embassy

AIDE MEMOIRE

The Government of the United States of America refers to the aide-memoire of the Government of Canada, dated November 14, 1947, concerning the problems confronting Canada because of the serious decline in its gold and United States dollar reserves, and concerning the limitation on imports from the United States which the Government of Canada therefore considers necessary.

The Government of the United States takes note of the information presented by the representatives of the Government of Canada in support of its contention that temporary controls on imports are necessary in view of the current situation respecting Canada's gold and United States dollar reserves. It appreciates the repercussions on Canada's exchange position resulting from

¹ Agreement signed at Washington Nov. 17, 1938 (EAS 149), *ante*, p. 117.

the economic and financial difficulties which various European Nations are now experiencing as a result of the war. It is aware of the extent to which Canada has been participating in European reconstruction and of the fact that this effort has contributed to Canada's present foreign exchange reserve position.

Acknowledgment is made of the statement by the Government of Canada of its intention to administer its controls in a manner consistent with the General Agreement on Tariffs and Trade which was recently concluded at Geneva.

The Government of the United States takes note also of the statement of the Government of Canada with respect to the duration and the administration of the controls. In view of the prolonged efforts our two countries have made to promote world trade and world recovery, the Government of the United States attaches the highest importance to this indication of the Canadian Government's intention. Having in mind, also, that the conditions of the controls contain elements which might become unduly prejudicial to the position of individual commodities, it is particularly concerned that an opportunity be given for discussion of the detailed effects where, in its opinion, the circumstances are sufficiently grave. In the circumstances the Government of the United States agrees for the duration of the present arrangement not to invoke the provisions of Articles II, III, and X of the Trade Agreement of 1938 between the United States of America and Canada in respect of the measures to be taken by the Government of Canada as set forth in its aide-mémoire.

It is recognized that the Trade Agreement between the United States of America and Canada remains in full force and effect during the present arrangement, save for those temporary modifications in its operation provided for in this exchange of aides-mémoire.

R. A. L.

DEPARTMENT OF STATE,

Washington,

November 15, 1947.